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INFO RHEHNSC/NSC WASHDC
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RUEHIL/AMEMBASSY ISLAMABAD 2072
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SUBJECT: BOUCHER AND AITZHANOVA DISCUSS STATUS OF
KAZAKHSTAN'S WORLD TRADE ORGANIZATION ACCESSION

REF: A. State 143295, B. State 140900

11. (SBU) Summary: During a September 9 meeting in Astana, Assistant Secretary Boucher and Deputy Minister of Industry and Trade Aitzhanova discussed the timing of the next round of bilateral World Trade Organization negotiations, next steps on Kazakhstan's negotiations with Working Party members, upcoming parliamentary hearings on accession, and the possibility of a statement of U.S. support during President Nazarbayev's upcoming visit to Washington. End summary.

12. (U) Assistant Secretary of State for South and Central Asian Affairs Richard Boucher met on September 9 in Astana with Deputy Minister of Trade and Industry Zhanar Aitzhanova. The Ambassador, Pol-Econ chief (notetaker), and Deputy Director of the Ministry's Department on Trade Policy Development and World Trade Organization Accession Damegul Kabiyeve were also present.

Bilateral Negotiations

13. (SBU) Aitzhanova expressed appreciation for the invitation to continue bilateral World Trade Organization negotiations with the U.S. beginning October 3 (Ref A). The proposed date conflicted with previously scheduled EU negotiations in Brussels with Foreign Minister Tokayev. Aitzhanova indicated that she would work directly with the U.S. Trade Representative's office to find a mutually acceptable date, expressing the hope that limited discussions rather than full negotiations might be possible after her September 20 trip to Canada.

U.S. Response on Kazakhstani Offer

14. (SBU) Aitzhanova, who had just returned from vacation, told A/S Boucher that she had carefully reviewed the U.S. checklist of issues to be resolved (Ref B). While she considered Kazakhstan's offer to have been good, she understood the reasons for the U.S. response and would continue working on the issue. "That's just the nature of WTO negotiations," Aitzhanova observed. She reminded A/S

Boucher of the gap that had to be closed, as Kazakhstan was trying to liberalize a tightly-controlled economy while the U.S. was seeking Doha Round standards. She noted that the systemic issues referred to in the U.S. response (such as sanitary and phytosanitary controls) were a new issue for Kazakhstan, as they had not been raised in the multilateral negotiations.

15. (SBU) Aitzhanova explained that documentation of trade transactions, which the U.S. had highlighted as an unnecessary burden on exporters and importers, was required in order to combat money laundering. The Kazakhstani government placed a high priority on ensuring that international trade was not used as a vehicle for illegal capital outflows, and the National Bank viewed transaction documentation as a key tool. Aitzhanova added that Kazakhstan was not wedded to the existing system, but did not know how else to address the problem under the current conditions. She mentioned that she had heard that the U.S. had not raised the issue with Russia, which used the same system.

16. (SBU) With regard to regulation of foreign labor, Aitzhanova told A/S Boucher that Kazakhstan currently imposes a quota and requires an economic needs test to prove that the position could not be filled by a Kazakhstani worker. She understood that the U.S. wanted Kazakhstan to lift both requirements for intra-company transferees. A/S Boucher clarified that the U.S. makes a distinction between intra-company transferees and new hires, who are subject to limitations similar to those imposed in Kazakhstan. Aitzhanova pointed out that as that aspect of the Kazakhstani offer related only to services, it would not affect large U.S. firms such as the oil majors or Phillip

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Morris. She noted that 80% of the foreign workers in Kazakhstan are intra-company transferees; the number of workers being transferred from Turkey and China was rising dramatically every year. Aitzhanova explained that Kazakhstan faced several challenges in regulating its labor market, including the prior lack of coordination between its relatively loose visa rules and its strict (on paper) labor policy; the need to limit the possibility for corruption among labor and immigration officials; the difficulty verifying whether a worker is skilled or unskilled; and the proliferation in Kazakhstan of small firms established by individuals from neighboring countries.

Next Steps

17. (SBU) Kazakhstan is still negotiating bilateral agreements with the U.S., Canada, the European Union, Australia, and Brazil (agriculture only), according to Aitzhanova. Israel had recently joined the Working Party so discussions with them were beginning. Kazakhstan expects to sign the full protocols in Geneva in September, Aitzhanova said.

18. (SBU) Aitzhanova informed A/S Boucher that the Kazakhstani parliament would hold hearings on World Trade Organization accession on October 20. The Ministry of Industry and Trade had invited the Office of the U.S. Trade Representative, which had not yet responded, as well as the European Union, which had indicated it would likely send a representative. She expected another Working Party meeting in November.

19. (SBU) Aitzhanova asked whether it would be possible to obtain a general statement of U.S. support for Kazakhstan's early accession to the World Trade Organization during President Nazarbayev's upcoming visit to Washington. A/S Boucher indicated that the joint statement would likely include a point on this issue. Aitzhanova promised to

suggest language. The Ambassador noted that it would also be important to use the statement to underscore the Kazakhstani government's own commitment to the earliest possible accession. Aitzhanova stressed the need to demonstrate that every point in the bilateral agreement reflects Kazakhstan's judgment as to what is in its own national interests; the speed and content of U.S. negotiations with Russia are not driving Kazakhstan's decision-making process.

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